

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 3901 - HB 3787

March 1, 2010

SUMMARY OF BILL: Makes multiple changes to sales and use tax law as it applies to the levy of sales tax on video and television programming services. Increases the sales tax rate on satellite television services from 8.25 percent to 9.4 Percent. Deletes current sales tax exemption on certain equipment involved in the providing of video programming services. Repeals the 7.5 percent state sales tax on interstate telecommunications and replaces it with a 9.5 percent state sales tax. Defines the term “sale for resale”, as it applies to the Retailers’ Sales Tax Act. Redefines the term “net earnings” as it applies to the levy of excise tax on real estate investment trusts (REITs).

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$49,800,000/Recurring
Increase State Expenditures – \$15,100/One-Time
\$275,100/Recurring

(Reflected in the Governor’s FY10-11 Recommended Budget)

Increase Local Revenue - \$14,300,000/Recurring

Assumptions:

- According to the Department of Revenue (DOR), removing current sales tax exemptions for equipment used to provide video programming services will increase state and local government revenue by approximately \$21,300,000 and \$10,200,000 per year respectively.
- DOR indicates that applying sales tax to cable boxes and digital video recorders (DVRs) and other related equipment will increase state and local government revenue by approximately \$2,000,000 and \$700,000 per year respectively.
- DOR indicates that increasing the interstate telecommunications tax by two percent will increase state revenue by approximately \$6,500,000 per year.
- DOR indicates that taxing the property purchased by service providers will increase state and local government revenue by approximately \$10,000,000 and \$3,400,000 per year respectively.
- DOR indicates that by changing the definition of “net earnings” as it applies to REITs will increase state revenue by approximately \$10,000,000 per year.

- The total increase to state revenue is estimated to be \$49,800,000 per year ($\$21,300,000 + \$2,000,000 + \$6,500,000 + \$10,000,000 + \$10,000,000 = \$49,800,000$). This revenue is reflected in the Governor's Recommended Budget Document (A-13).
- The total increase to local government revenue is estimated to be \$14,300,000 per year ($\$10,200,000 + \$700,000 + \$3,400,000 = \$14,300,000$).
- DOR indicates it will require additional resources within its Audit Division to accomplish the provisions of this bill. Four new Tax Auditor 4 positions are anticipated. The associated increase to recurring state expenditures is estimated to be \$275,100 per year (\$167,300 salaries; \$51,200 benefits; and \$56,600 other). The associated increase to one-time state expenditures is estimated to be \$15,100 (for computers, software, etc.). These state expenditures are included in the Governor's Recommended Budget Document (B-13).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc